

Message Text

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PAGE 01 LIMA 09012 241848Z

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ACTION ARA-10

INFO OCT-01 AF-04 EUR-08 ISO-00 EB-04 COME-00 INT-05 GSA-01

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 FRB-01

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01

FEA-01 /090 W

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R 241728Z OCT 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2481

INFO AMEMBASSY BRUSSELS

AMEMBASSY KINSHASA

AMCONSUL LUBUMBASHI

AMEMBASSY LUSAKA

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

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E.O. 11652 N/A

TAGS: EMIN, CG, CI, PE, ZA

SUBJECT: CIPEC MEETING IN LIMA ON OCTOBER 28, 1974

REFS: KINSHASA 8791, SANTIAGO 6347, LIMA 4916 (NOTAL)

1. DAVID BALLON, DIRECTOR GENERAL OF MINING, TOLD
EMBASSY OFFICERS OCTOBER 23 THAT GOP WILL BE HOST TO
CIPEC GOVERNING BOARD MEETING OCTOBER 28. THE MEETING,
TO WHICH ONLY FOUR MEMBER STATES ARE INVITED, IS AN
ANNUAL AFFAIR TO WORK OVER LUSAKA AGENDA ITEMS AND NEW
PROPOSALS FOR NEXT MINISTERIAL MEETING. BALLON WILL
REPRESENT PERU AT THIS MEETING.

2. BALLON STRESSED THAT PERU IS INTERESTED IN STUDYING

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PAGE 02 LIMA 09012 241848Z

QUESTION OF USE OF BUFFER STOCKS AND FLOOR PRICE FOR
COPPER, BUT THAT NEITHER IN THEMSELVES WOULD BE SUFFICIENT

TO STABILIZE COPPER PRICES IN THE LONG RUN. HE CRITICIZED JAPANESE PRIVATE COMPANIES FOR RECENT MASSIVE STOCKPILE SALES WHICH HAVE SERIOUSLY DEPRESSED WORLD COPPER PRICE. HE EMPHASIZED THAT PERU IS SEEKING AN EVENTUAL ACCOMMODATION WITH PRODUCER COUNTRIES, SINCE A BUFFER MECHANISM IS AT BEST A PARTIAL ANSWER (HE SAID IT HAD FAILED TO PROTECT PRICE IN CASE OF TIN BUFFER STOCK ARRANGEMENT). HE MADE NO SPECIFIC MENTION OF PRODUCERS' PRICE RECOMMENDATION, ALTHOUGH HE CONDEMNED USE OF LME QUOTATION AS BASE FOR SETTING COPPER PRICES. BALLON SAID HE WAS NOT AWARE OF ANY POSSIBLE CHANGE IN ZAIRIAN POSITION RE FLOOR PRICES OR BUFFER STOCKS.

3. WHEN ASKED ABOUT POSSIBILITY OF ARAB FINANCING FOR FUTURE BUFFER STOCK ARRANGEMENT, BALLOON'S RESPONSE WAS EVASIVE. HE SAID THAT ARABS IN GENERAL HAD OFFERED THIRD WORLD THEIR SUPPORT FOR SUCH ARRANGEMENTS, BUT NEITHER CONFIRMED NOR DENIED SPECIFIC POSSIBILITY THAT ARABS MIGHT FINANCE SUCH AN ARRANGEMENT IN COPPER. ON THIS SUBJECT, AN OFFICER OF A LARGE U.S. COPPER COMPANY, WHO IS WELL INFORMED BUT SOMEWHAT PRONE TO EXAGGERATION, HAD TOLD US THAT GOP HAS BEEN IN TOUCH WITH SAUDIS, LIBYANS AND IRANIANS, AMONG OTHERS, TO SET UP FINANCING FOR A BUFFER STOCK ARRANGEMENT. THIS SOURCE STATES THAT ARABS ARE CONSIDERING INVESTMENT OF A SUBSTANTIAL SUM IN CIPEC BUFFER STOCK, POSSIBLY \$2-4 BILLION, WHICH WOULD SERVE THE COMPLEMENTARY PURPOSES OF BOOSTING ARAB TIES TO OTHER THIRD-WORLD COUNTRIES AND MAKE EFFICIENT USE OF ARABS' LARGE BALANCE OF PAYMENTS SURPLUSES.

4. AT AN AIRPORT PRESS CONFERENCE SAME DAY, MINISTER OF ENERGY AND MINES JORGE FERNANDEZ MALDONADO, ALSO CRITICIZED JAPANESE SALE OF COPPER STOCK FOR CAUSING DRASTIC DROP IN WORLD COPPER PRICE. THE MINISTER THEN CALLED FOR THE INCLUSION OF ADDITIONAL COPPER PRODUCING COUNTRIES WITHIN CIPEC AND FOR CLOSER ASSOCIATION OF SILVER, OIL, AND IRON PRODUCERS AS WELL, IN ORDER TO DEFEND WORLD MARKET PRICES OF PERU'S PRODUCTS.

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PAGE 03 LIMA 09012 241848Z

5. COMMENT: DESPITE GENERAL FERNANDEZ MALDONADO'S STRIDENT TONES, WHICH USUALLY CHARACTERIZE HIS PUBLIC PRONOUNCEMENTS ON THIS (OR ANY OTHER) TOPIC, WE SURMISE THAT GOP WILL MOVE WITH CARE BEFORE OFFERING ITS SUPPORT TO SUBSTANTIVE CHANGE IN WORLD COPPER MARKETING SCHEMES. IN FACT, WE SURMISE THAT BALLON'S MORE CAUTIOUS APPROACH, WHICH REPRESENTS HIGH-LEVEL TECHNICAL VIEWPOINT, IS TAKEN MORE SERIOUSLY IN GOP CIRCLES THAN PUBLIC RHETORIC WOULD INDICATE. BALLON IS CLEARLY AWARE OF PITFALLS IN ATTEMPTING TO ARRANGE A COPPER

CARTEL WITHOUT FIRST REACHING AGREEMENT AMONG ALL PARTIES AS TO HOW POTENTIAL BURDENS MIGHT BE SHARED BY EACH PARTICIPANT. RE ARAB MONEY FOR BUFFER STOCKS, IT SEEMS LOGICAL THAT RUMORS OF SUCH SUPPORT ARE CIRCULATING AND NOT BEYOND REALM OF POSSIBILITY THAT ARABS HAVE MADE OVERTURES TO CIPEC MEMBERS. WE TEND TO THINK, HOWEVER, THAT IT IS PROBABLY PREMATURE TO PREDICT DIRECT ARAB SUPPORT FOR BUFFER STOCK SCHEME AT FORTHCOMING LIMA MEETING. IN REGARD TO ZAIRIAN POSITION REPORTED IN KINSHASA 8791, IT IS LIKELY THAT PERU IS NOT INFORMED ABOUT LATEST VIEWS AND WILL AWAIT ZAIRE'S PRESENTATION AT THE MEETING.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, MEETINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA09012
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740304-0914
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741020/aaaaaquv.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: KINSHASA 8791, SANTIAGO 6347, LIMA 4, 916 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2002 by boyleja>; APPROVED <06-Aug-2002 by golinofr>; APPROVED <18-Oct-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIPEC MEETING IN LIMA ON OCTOBER 28, 1974
TAGS: EMIN, CG, CI, PE, ZA, CIPEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005